Congress of the United States
House of Representatives
Washington, DC 20515

July 21, 2005

Dear Conferees:

We are writing to urge you to support an 8 billion gallon Renewable Fuels Standard (RFS) during the conference committee's consideration of H.R. 6, the Energy Policy Act of 2005. The undersigned Republican members of the U.S. House of Representatives believe an 8 billion gallon RFS is a vital and necessary component of any comprehensive energy bill.

Today, the U.S. ethanol industry has the capacity to produce more than 4 billion gallons annually, and 17 production facilities and three major expansions under construction will add an additional 900 million gallons of capacity within the year. Likewise, the biodiesel industry is also undergoing rapid growth. It currently has the capacity to produce 30 million gallons, while five plants under construction will add an additional 100 million gallons of capacity.

An 8 billion gallon RFS represents a historic opportunity to put the nation on a path toward greater energy independence and national security. In a recent letter to the President, 25 national security leaders urged him to "launch a major new initiative to curtail U.S. consumption through improved efficiency and the rapid development and deployment of advanced biomass, alcohol, and other available petroleum fuel alternatives."

Today's record-high gasoline prices are hurting consumers, and record petroleum imports are aggravating our trade imbalance and slowing economic growth. An 8 billion gallon RFS would maximize the production and use of domestic renewable fuels such as ethanol and biodiesel to the benefit of consumers across the country. According to a recently released report by the Consumer Federation of America, summarized in the attachment to this letter, the increased use of ethanol would help to reduce gasoline prices by as much as 8 cents a gallon.

The Senate version of the energy bill calls for an 8 billion gallon RFS by 2012, starting at 4 billion gallons in 2006. This important provision was adopted in the Senate by an overwhelming 70-26 vote.

As you consider H.R. 6, we again urge you to show similar support for an 8 billion gallon RFS and demonstrate your firm commitment to reducing our dependence on foreign oil through a strong domestic biofuels industry.

Sincerely,

Gil Gutknecht   Steve King

Donald A Manzullo

Marilyn Musgrave

Wayne T. Gilchrest

Jerry Moran

Jim Ryun

Mark Kennedy

Geoff Davis

Dan Burton

[illegible]

Tom Osborne

Jim Nussle

[illegible]

Tom Latham

Mike Pence

[illegible]

Virginia Foxx

Consumer Federation of America

OVER A BARREL

WHY AREN'T OIL COMPANIES USING ETHANOL TO LOWER GASOLINE PRICES?

MARK COOPER,
DIRECTOR OF RESEARCH

MAY 2005

Across the country, consumers are facing the highest gasoline prices in memory, while oil companies are reporting record profits. As oil companies squeeze every penny they can from consumers' pocketbooks, they continue to import high priced crude oil from the Middle East and elsewhere, engage in mergers that further reduce already constrained competition, and avoid, wherever possible, blending their gasoline with alternative fuels like ethanol.

In the past, some consumers have expressed skepticism of economic benefits derived from blending ethanol into gasoline. But in the face of rising gasoline prices that skepticism is beginning to wane.

Contributing to the changing attitude toward ethanol is the fact that prices for ethanol have declined while pump prices for gasoline now exceed $2.20 per gallon in many parts of the country. As *Business Week* recently reported, "...since the start of the year, the wholesale price of ethanol has fallen more than 20%, to around $1.20 a gallon, while black gold is soaring to record highs." Given the sharp decline in ethanol prices, one would expect major oil companies to increase their purchases of ethanol beyond what is required by the Clean Air Act. However, contrary to rational economic expectations, oil companies are not expanding their purchases of lower-priced ethanol, but are continuing to purchase expensive crude oil and raising gasoline prices to consumers. Frustrated, some ethanol producers are beginning to export their product. This creates a situation of lower-priced ethanol leaving the country while higher-priced oil enters it - hardly an indication of rational economic behavior.

Changing consumer perceptions about the benefits of ethanol are reinforced by several recent developments:

- Rising gasoline prices amidst declining ethanol prices.
- Major oil companies cost consumers as much as 8¢ a gallon by boycotting lower-cost ethanol.
- Terminal and other infrastructure exists to handle additional ethanol supplies in markets across the country.

For a complete copy of this report, visit http://www.consumerfed.org/pdfs/cfaethanol050505.pdf.